

## Clarifying Termination Pay Subject to SDRS Contributions

### Unused Sick and Annual Leave Payment

EFFECTIVE JULY 1, 2004, the definition of compensation was changed in SDRS law to exclude money that terminating employees receive for lump-sum payouts of unused sick or annual leave. Because SDRS contributions are due only on compensation as defined in SDCL 3-12-47 (20), no contributions are collected from either the employee or the employer on these final sick and annual leave payouts. *Note:* Neither the age of the terminating employee nor the amount of the payment is a factor in exempting this termination pay from SDRS contributions.

### Taxation Advantages Under Special Pay Plan

Effective July 1, 2004, state law was also changed to allow for an additional retirement plan called the Special Pay Plan. Under the Special Pay Plan, some members' lump-sum termination payouts are permanently exempt from Social Security taxes and are free from federal income taxation until they are withdrawn from the plan. Termination pay eligible for the Special Pay Plan is defined as

compensation other than regular salary or wages accumulated by an employee and converted to a lump-sum amount at termination of employment. In addition to unused sick and annual leave payments, special pay includes severance pay, contract buyouts, and other special lump-sum payments made due to termination of employment. Employees are eligible to participate in the Special Pay Plan if they meet all three of the following conditions:


- » the member is employed by an employer unit that has elected to participate in the Special Pay Plan
- » the member is 55 years or older at the time of termination, and
- » the member receives \$2,000 or more in termination pay

It is important to note the distinction regarding the general exemption from SDRS contributions on unused sick and annual leave payouts versus the exemption from Social Security taxes plus federal income tax deferral for members under the Special Pay Plan.

- » For SDRS contribution purposes, neither the age of the terminating employee nor the

amount of the payment makes any difference in exempting this termination pay from SDRS contributions.

- » The Special Pay Plan provides further advantages in the area of Social Security taxes and federal income tax; however, the conditions of employer participation, employee age and amount of termination pay must be met.

If you have any questions regarding the Special Pay Plan, or have employees that would like to know more about the investment options available to them under the Special Pay Plan, please do not hesitate to contact the local service center of Nationwide Retirement Solutions at (605) 224-2230. 

### Switch to Electronic Reporting at Any Time

Sending contribution reports to SDRS electronically is easy, fast, and accurate. The methods described in *UpDate 3, 2004*, ensure that any unit, no matter what its size, can take advantage of electronic reporting. If you have questions about the process, call the SDRS office at (605) 773-3731 for assistance.

# Agents and SDRS Team Up for Member Success

**HOW CAN A** benefits department of ten people meet the needs of a retirement system with over 65,000 members? By partnering with authorized agents in the workplace, according to the SDRS Benefits Department manager, Corinne Koch. "Agents are the essential link between members and the system," she says. "They play a critical role both for the system and for members pursuing a rewarding retirement."

Benefits is the largest department at SDRS, with nine retirement planners on Ms. Koch's staff. Although every planner can perform any of the department's duties, such as processing benefits, answering member questions and conducting educational sessions, each also has a specialty.

Hitting the road on Tuesdays to conduct retirement planning seminars and individual counseling sessions, Travis Almond and Patrick Steffensen are perhaps the

SDRS staff members best known in the field. The voices of Gary Greve, Gail Ridings and Carolyn Spomer are likely to be more familiar to authorized agents than their faces, but they are no less skilled in detailing intricacies of retirement and disability benefits or decoding legislative issues. Like Gary, Gail and Carolyn, the department's two newcomers, Heather Crawford and Jon Huntsinger, also process applications, help members in retirement planning and assist in trainings. Laurel Burke's specialty is preparing benefit estimates and verifying final salary, and Pat Jacobsen handles member disability issues.

To maximize their service to members, the entire staff depends on their partnerships with authorized agents. "In many situations, agents are the eyes, ears and voice

of the system," Ms. Koch says. "Agents let us know what members need, and let members know what the system offers. From doing simple things like encouraging early registration for counseling sessions to providing essential services such as submitting termination forms and final

contribution reports on a timely basis, authorized agents keep us in touch with the members."

The benefits department also depends on authorized agents to update agent listings with the SDRS office. "We have no way of knowing when new agents come on board unless they contact us," Ms. Koch says. "By getting to know every authorized agent, we can provide the best service possible." **UpDate**

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Members of the SDRS Benefits Department, from left to right: Carolyn Spomer, Laurel Burke, Gary Greve, Travis Almond, Patrick Steffensen, Pat Jacobsen, Heather Crawford, Gail Ridings, Corinne Koch, Jon Huntsinger


## The Way It Works

# From Idea to Law: Making Changes in SDRS Statutes

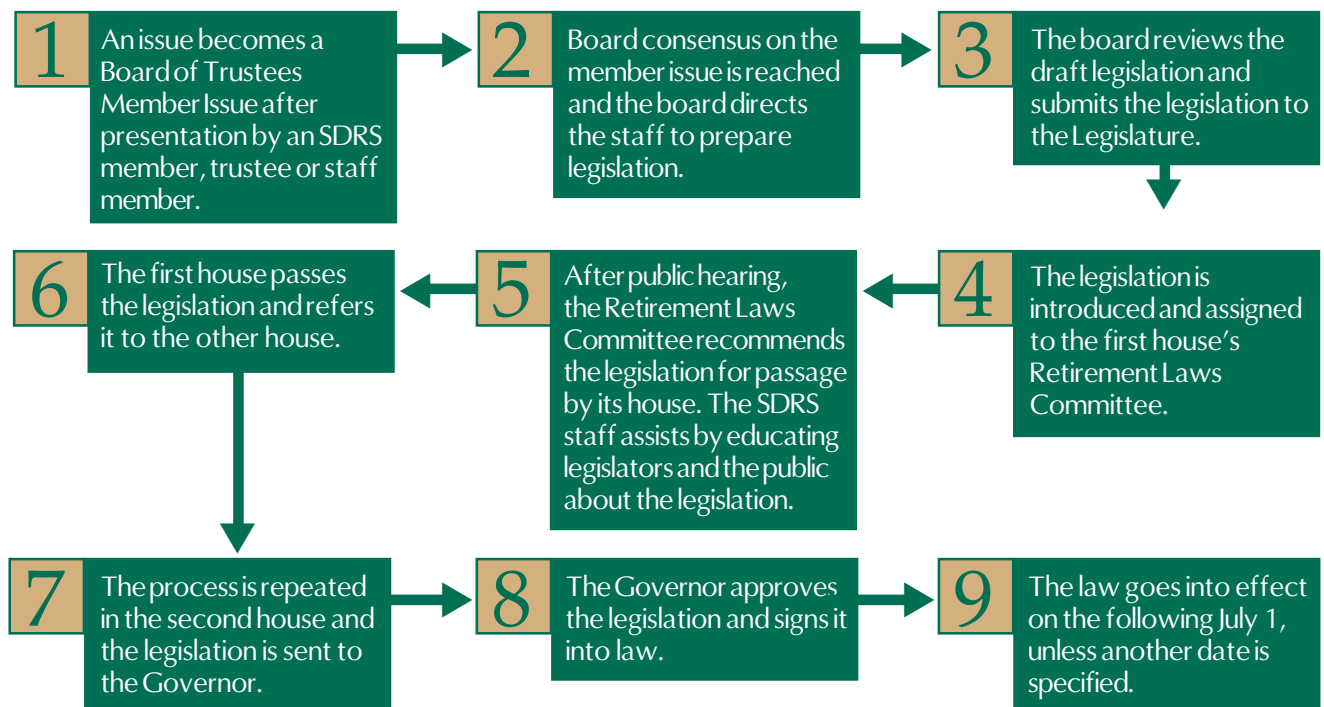
**OVER THE YEARS**, SDRS has made numerous revisions to its policies, rules and statutes in its continuous effort to better serve members.

Changing an SDRS statute, however, requires the careful thought of the SDRS staff, the board,

and the Legislature. As the retirement system for public employees, SDRS was established by statute, and is funded in part with public moneys through employer contributions. As a consequence, changes in statutes governing SDRS require the passage of legislation.

The following diagram illustrates how changes in SDRS law are enacted. Tracking an actual proposal as it moves through the Legislature is possible by logging on to the Legislative Research Council's Web site, <http://legis.state.sd.us/index.cfm>. 

### Changing SDRS Provisions Requires Legislative Action




## Key Legislation Proposes Lower Purchase Rates for Members in Military Buying Credited Service

**SDRS MEMBERS MOBILIZED** into active National Guard or Reserve duty may benefit from a bill recommended to the 2005 Legislature by the SDRS Board of Trustees. The measure offers members called to active duty the opportunity to purchase credited service at the rate charged prior to July 1, 2004.

Specifying the qualifying dates of call-up and the deadline for contracting for purchases, the bill extends the favorable rate to members who, because of their call-up, were unable to arrange for purchase of credited service before the 2004 price increase took effect.

Other bills approved by the

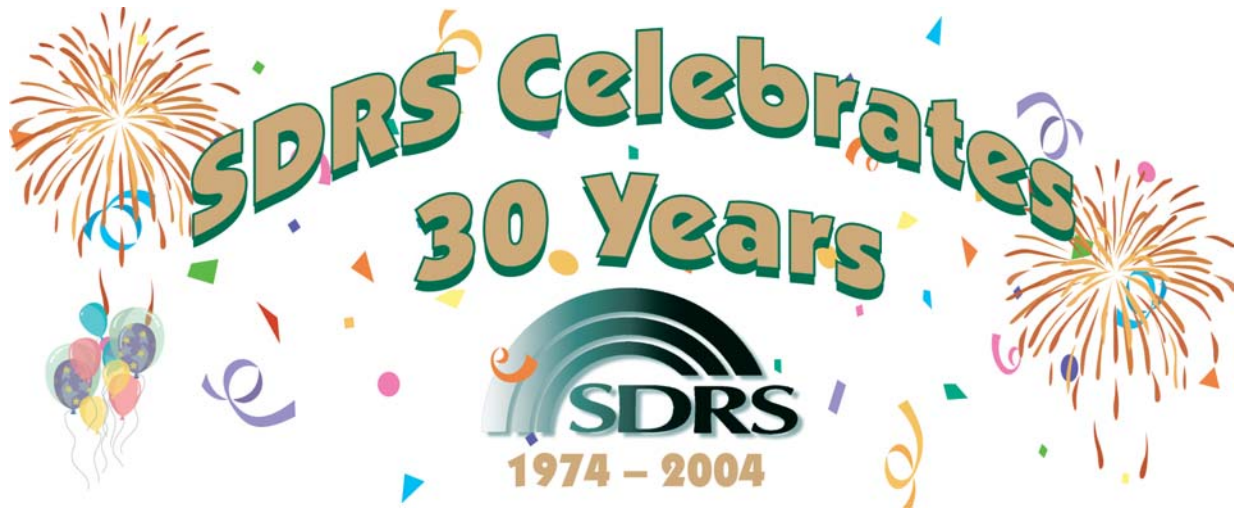
board in 2005 are technical in nature. Two bills deal with fine tuning the Special Pay Plan. The other two bills reconcile inconsistencies in the state Code. None of these pieces of legislation would materially affect SDRS programs or its operations. 



## SDRS STATE-WIDE INDIVIDUAL COUNSELING SCHEDULE

SCHEDULE DATE	CITY	COUNTY	LOCATION	ADDRESS	DEADLINE TO SCHEDULE*
February 1, 2005	Eureka	Edmunds, McPherson	Fire Hall	502 F. Ave.	January 27
February 8, 2005	Mitchell	Davison, Hanson	Holiday Inn	1525 W. Havens	February 3
February 15, 2005	Murdo	Jones, Mellette	Jones County Courthouse	310 Main St.	February 10
February 22, 2005	Parkston	Hutchinson, Douglas	Senior Center	Main St.	February 17
March 1, 2005	Mission	Todd	Administration Bldg	School Campus	February 24
March 8, 2005	Sioux Falls (other agencies)	Minnehaha	Ramkota	2400 N Louise	March 3
March 16, 2005	Brookings	Brookings	Brookings Inn	2500 E 6th St	March 10

\* Individual retirement counseling sessions must be scheduled before noon on this date.



## Regional Meetings, Individual Sessions Continue in 2005

IN 2004, SDRS seminars that presented an overview of the system and general information about retirement planning were attended by more than 1,000 people. Building on this success, SDRS will continue to conduct

these regional seminars in 2005.

The system will also provide opportunities for members to meet with retirement planners in individual counseling sessions.

Members must register for the seminars and make individual

appointments for counseling sessions. Letters of invitation are issued about a month before the events are held. Members may then call the SDRS office at (605) 773-3731 to make arrangements to attend. [UpDate](#)

## REGIONAL RETIREMENT PLANNING SEMINARS

DATE	REGION	LOCATION	ADDRESS	TIME
March 7	Sioux Falls (Minnehaha)	Ramkota – Exhibit Hall	2400 N. Louise	TBA
April 5	Rapid City (Pennington)	Ramkota – Rushmore Rm	2111 N. LaCrosse	Seminar, 5:00 – 9:00 p.m.
May 3	Watertown (Codington)	Ramkota – Heritage Theater	1901 9 <sup>th</sup> Ave. SW	Seminar, 5:00 – 9:00 p.m.
July 19	Yankton (Yankton)	Kelly Inn – Rooms C & D	1607 E. Hwy 50	TBA
October 18	Pierre (Hughes/Stanley/Sully)	Ramkota – Theater II	920 W. Sioux	TBA

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